

Building brands on the Internet

By Robin Cleland
January 2002

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INTRODUCTION

The Internet has had a profound impact on the way business is being conducted. Supply chains have been re-thought, products and services reconfigured, and business models revamped. Such change, inevitably, has created not only new challenges, but also exciting opportunities.

The Internet provides the opportunity for companies to reach a wider audience and create compelling value propositions never before possible (e.g. [Amazon.com](#)'s range of 4.5 million book titles), while providing new tools for promotion, interaction and relationship building. Aggressive Internet companies, such as [Yahoo!](#), [Amazon.com](#), and [eBay](#), have emerged to exploit these capabilities and have built powerful brands in a few years, whereas it has taken decades for traditional companies to achieve the customer base, customer affiliation, and level of sales, that these Internet brands have achieved.

Given that the Internet will ultimately become an integrated component of business and strategy of all firms to some extent, and as customer expectations are influenced by their purchase experiences in both the online and offline environments, understanding how to harness the reach and interactivity of the Internet to build and maintain brands is becoming critical. In light of this, there is growing recognition that traditional methods are inadequate in this interactive environment, and companies lack a coherent framework and concrete methods to build their online brands.

This paper explores the emerging brand-building environment, identifies new brand-building frameworks and sources of added value, and outlines the key factors that contribute to the development of a successful online brand. The findings in this paper are based on the in-depth analysis of the brand-building efforts of several online companies, including born-on-the-web companies, traditional 'bricks-and-mortar' companies that rose to the challenge of taking their brands online, and Internet failures.

DEFINITION OF BRANDS AND BRAND-BUILDING

Before proceeding further, it is important to establish clarity and a shared understanding of 'brands', and the process involved in building a brand.

A brand is a mixture of tangible and intangible benefits, which if properly managed, can create value and lead to preferential choice, not only from customers but also from other key stakeholders (employees, investors, partners).

Building a strong brand is a complex task. It is about creating value through the provision of a compelling and consistent customer experience that satisfies customers and keeps them coming back. When a company creates this type of preferential choice and loyalty, it can build a strong market share, maintain good price levels and generate strong cash flows.

Building a brand starts with a clearly defined and persuasive value proposition - a compelling offer that appeals to potential customers. To do this, a company must develop a strong understanding of who their potential customers are, what they value, and how the products, services and internal resources should be optimised or configured to deliver this value. Furthermore, the company must develop the appropriate capabilities and resources (staff, culture, skills, infrastructure, partnerships, etc.), which must be built and aligned to support, deliver and reinforce this value proposition.

Once this has been established, the next step is to get customers to choose the brand. To entice trial requires triggering mechanisms, which are created through advertising, promotion, selling, public relations, direct marketing and word-of-mouth. Enticing customers to purchase again and adopt the brand not only requires a successful trial experience, but also enhanced customer interaction through relationship building. Building relationships with customers focuses on establishing a long-term, multi-transaction relationship, where each party *trusts* the other to deal fairly and reliably. Over time, this process enables an exchange of information, providing further insight into customers' needs and wants. Managing this information can be a key source of competitive advantage, allowing companies to learn from their customers. In this way, companies can increase buyers' satisfaction, making them less likely to switch to competitors.

Through the combination of the stimulus of consistent communications, relationship building and satisfactory usage and experience, brand awareness, conviction and loyalty are built. This process is also true for online brands, however the online environment and brand-building tools are different and must be understood.

THE ONLINE BRAND-BUILDING ENVIRONMENT

There has been much debate concerning the importance of brands online. On one hand, in addition to providing added value, brands were traditionally a substitute for information - a way for consumers to simplify the time-consuming process of search and comparison before deciding what to buy. However, the Internet makes search and comparison much easier, and directs focus towards price. This threatens to undermine the value of brands, and erode their ability to justify a price premium.

On the other hand, transactions on the Internet require customers to provide detailed personal information, and people generally have concerns about sharing such information. In addition, the intangible nature of the Internet, and the fact that customers are buying goods that, in most cases, they have never handled or seen (except on-screen), has placed greater importance on **trust** and **security**. As a result, people prefer to transact with sites they know and trust - sites that provide a wealth of information and make comparison-shopping easy, where the user feels involved, and sites that understand the user's needs and preferences. This highlights the surfacing of **information** and **relationships** as key sources of added value in the Internet economy.

Furthermore, with the explosion of choice and available information, and the large variety of advertising and selling messages, consumers are experiencing 'information overload' and are looking for short cuts and have reverted back to reputable brand names, which provide the confidence and desired stability - allowing customers to cut through the risks and complexity of choice.

Consequently, brands may be even more important on the Internet, particularly for pure online players, who are essentially intangible, and therefore customers have little to go on other than a recognised brand name. Furthermore, given the tremendous clutter in today's e-commerce marketplace, and the high cost of acquiring online customers, the most successful sites will be those that can attract customers and build brand loyalty and enthusiasm that extends the brand-customer relationship beyond a single transaction.

Therefore, building awareness, attracting traffic to the site, turning these browsers into buyers, and turning first-time buyers into loyal repeat customers has become the Holy Grail of online brand strategies. However, with the emerging realisation that brand loyalty is vital for online success, traditional methods are no longer sufficient in this interactive environment.

Traditionally, brands have been developed in an environment whereby a company creates a brand, and projects it onto a third party intermediary (the media). In response, many unnamed customers develop a 'relationship' with the brand. The Internet, on the other hand, offers interactivity, whereby a company can establish a dialogue and interact with individual consumers on a one-to-one basis. In doing so, a company can listen, learn, understand, and relate to customers, rather than simply *speak at* customers. This creates the opportunity for companies to build stronger relationships than previously

attainable. As such, the Internet is changing fundamentals about customer expectations, relationships, service and brands.

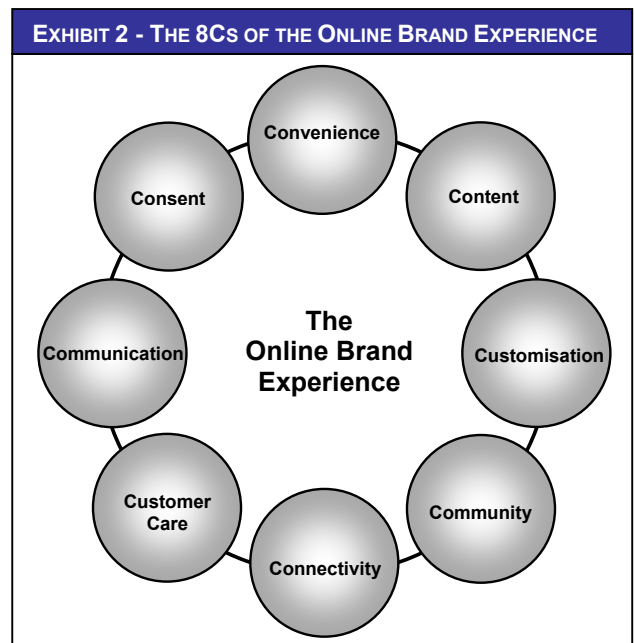
The Internet is changing the mental model from the traditional 'enticing' proposition to the new-economy 'problem-solving' proposition by empowering customers with more options and more information to make informed decisions. The fundamental differences between these two propositions are outlined in Exhibit 1.

The Internet also represents a fundamental shift in how buyers and sellers interact, as they face each other through an electronic connection. This allows companies to have greater control over their interactions with customers. Therefore, with customers holding all the power, brand-building must focus on ensuring a completely satisfying end-to-end customer experience. In maximising the customer experience, companies have to find innovative ways of leveraging the information and relationship building characteristics of the Internet.

EXHIBIT 1 - EMERGING BRAND-BUILDING ENVIRONMENT	
TRADITIONAL APPROACH 'ENTICING' PROPOSITION	ONLINE APPROACH 'PROBLEM SOLVING' PROPOSITION
• Monologue	• Dialogue
• Public	• Private
• Mass	• Individual
• Anonymous	• Named
• Adversarial, intrusive	• Collaborative, consent
• Focused primarily on one-off transactions	• Focused on relationship over time
• Remote Research	• Intimate learning
• Manipulative, 'stimulus-response' approach	• Genuine needs driven, service approach
• Standardised	• Customised

THE ONLINE BRAND EXPERIENCE & THE SOURCES OF ADDED VALUE

The key components that add value and differentiate an online brand experience from an offline experience are outlined in Exhibit 2 - The 8Cs of the Online Brand Experience¹. Companies can place different emphasis on the 8C's in order to distinguish their offering from competitors. Furthermore, this emphasis can change over time. Each 'C' is discussed in more detail as follows:



Convenience

Convenience goes beyond the ability to conduct transactions around the clock. The customers' ability to access and display information rapidly is extremely important. Sites that are difficult to use can cause frustration, making customers 'click off' to another site. In fact, 30%

¹ Adapted from 'Creating a high-impact digital customer experience', An A.T. Kearney White Paper, 1999

of potential customers leave sites because they cannot find what they are looking for, and 66% of people who start a '*shopping basket*' fail to complete the transaction². A study by BusinessWeek³ revealed that consumers identified ease-of-use, ease-of-navigation, familiarity, fast response times and accurate information as key factors in establishing web brand loyalty.

Content

Content is relevant and useful information directed at the needs and interests of the targeted users. With almost infinite display space, online companies have the opportunity to provide rich, up-to-date information, expert insights, and a wide range of products, which can enhance the company's value proposition. Content is considered to be a '*sticky*' application as it entices visitors to spend longer periods of time on the site, increasing the probability of purchase. A certain amount of '*commerce content*' is important to support the purchase decision. According to Forrester Research⁴, 31% of online consumers use the Internet for obtaining product information, even if they purchase offline, and nearly 20% use it for post-sales support. Good content can help to educate buyers and sellers and create a greater sense of control over the transaction. On the other hand, visitors should not be engulfed with too much information. Additional content includes community-generated content, and advertising (if it is relevant and useful).

Customisation

Customisation involves tailoring the presentation of a website to individuals, based on profile information, demographics, or prior transactions. Online sites can track a customer's purchase history and modify its service accordingly. Often, sites allow '*surfers*' to customise their experience by choosing what type of information they view through personalised sites (e.g. **My Yahoo!**, **My eBay**). Some companies have taken this a step further and customise the product or service on offer (**Dell** offers 'made-to-order' computers through **Dell Online**). Customisation creates the feeling and sense of a one-to-one relationship, which enhances the user's brand experience.

Community

Online communities are emerging as new gathering places for consumers with similar interests (e.g. **iVillage** and **Geocities**). These sites allow members to interact with one another, share information and access a wide range of services. An important contribution of these communities is that they

² Rigby, D., Baveja, S., Rastogi, S., Zook, C., Chu, J., & Hancock, R., '*The Value of Online Customer Loyalty and How You Can Capture it*', - A Mainspring Communication Report, March 17, 2000

³ 'Web Loyalty', *BusinessWeek*, 29th October 1999 (www.businessweek.com)

⁴ Morrisette, S., Clemmer, K., & Bluestein, W. - *A Forrester Research Report*, 1999

provide members with a medium to communicate with each other. Members can interact in chat rooms, use bulletin boards, and organise live events.

A unique characteristic of an online community is that the site includes both editorial content (determined by the site owner) and member driven content. An online community offers a compelling way to entice customers back to a site. It fosters a sense of belonging among the members, which is reinforced by a combination of several factors, including: identification with the brand; awareness of other like-minded users; the ability to interact with others on the website; precisely tailored content; the mutual benefits of participation; and the opportunity to get involved and shape the development of the website.

For a community to work, it must achieve a critical mass of participating members. Communities enhance the speed and value of information sharing, allowing customers to deepen their experience with a brand and build more personal connection, and can create an emotional bond, when membership in the brand's community becomes an end in itself⁵.

Connectivity

Connectivity is concerned with connecting the website to other relevant sites. Companies can provide a selection of related links that complement the site's purpose and value proposition, as well as attracting traffic from other sites. Connectivity is enhanced by linking to search engines / portals and popular sites where target customers are likely to be browsing. This is similar to placing offline stores in high traffic areas.

Connectivity also focuses on providing incentives for users to connect back to the site. The development of loyalty programmes, which provide targeted and unique (customised) benefits to the customer, serves this purpose and helps to build customer loyalty. Other tools such as *book-marking* the page can also facilitate connectivity.

Customer Care

Online customers often require assistance and reassurance. Customers share security and privacy concerns, and a survey by MarketWatch revealed that 62% of *surfers* feel that giving out personal information on the Internet is unsafe. Therefore, customer support at all stages of the interaction and the purchase process is important, and can be provided through e-mail, online chat, toll-free telephone numbers, and FAQ pages (Frequently Asked Questions) to solve problems. In addition, customer care activities can involve providing a variety of payment, delivery and return options, as well as features such as gift-wrapping.

⁵ Fournier, S., 'Consumers and Their Brands: Developing Relationship Theory in Consumer Research', *Journal of Consumer Research*, March 1998, pp. 343-373.

Communication (2-way)

The Internet provides the opportunity to establish dialogue with customers through e-mail, live chat, and online surveys. Communication can be tailored to specific user interests and should allow for two-way interaction. It is important in building relationships, as well as informing and reminding customers of special offers, news up-dates, activities, events and subjects of interest to the customer.

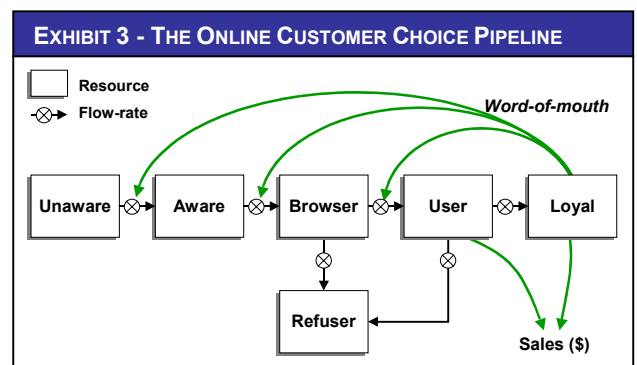
Consent

Consent is concerned with obtaining customers' permission to participate in a dialogue, or to receive promotional messages and updates. This is becoming increasingly important on the Internet, as online consumers are being bombarded by un-solicited (junk) e-mail and marketing messages. Traditionally, this form of "interruption advertising"⁶ may have been acceptable, however, today's consumers no longer have the patience or attention span. Furthermore, junk e-mail can have a significant negative impact and can actually turn customers away. If sites want to grab someone's attention, they first need to get the customer's approval, possibly with an inducement - a gift voucher, a free sample, a contest, an 0800 number, or even just an opinion survey.

Once a customer gives consent and volunteers his or her time, this can form the basis of a trusting long-term relationship. By talking only to volunteers, consent guarantees that consumers will pay more attention to the marketing message. It serves both customers and marketers in a symbiotic exchange.

THE ONLINE BRAND-BUILDING PROCESS

Once the value proposition has been clearly defined and the company's resources developed and aligned to deliver the proposition, the next stage is to communicate the values of the brand and then reinforce brand associations to start the wheel of usage and experience, and keep it turning. Exhibit 3 outlines the online customer choice pipeline, which represents the customer purchase process as a series of distinct resources, each representing a different stage and relationship to the brand. Each stage is explained as follows:

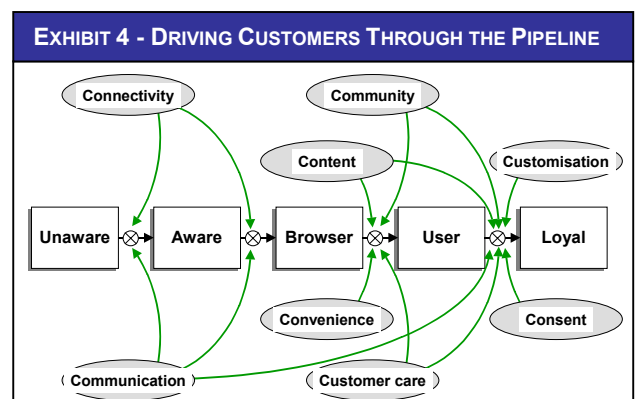


⁶ Godin, S., *Permission Marketing*, October 1999, Simon & Schuster Publishers

- Unaware** These are the potential customers that have not heard of the brand. The number of people at this stage changes as people become aware of the brand (flow into the aware stage), or as the brand expands into new markets, increasing the potential customer base.
- Aware** These are potential customers that are aware of the brand, but have not accessed the website or purchased a product.
- Browsers** These are people that are interested and access the site. They can click off to return again some other time, or purchase a product in which case they become customers, or discard the offering and become refusers. Online companies usually track the level of browsers in terms of the number of unique visitors per day.
- Users** These are browsers that have completed the purchase process and purchased an item from the brand.
- Loyals** These are repeat customers that return to purchase items from the website. These customers can be an important source of positive *word-of-mouth*, which usually accounts for the lion's share of customer visits to a website. Given the intangible nature of the Internet, word-of-mouth is a particularly powerful medium, as it carries the implied endorsement from a friend. The Internet, with its e-mail lists, web sites, chat rooms, and bulletin boards makes communication tighter and word-of-mouth circulate even faster. This implies that getting the total end-to-end customer experience right is critical for online success.
- Refusers** These are consumers that have accessed the site (browsers) or bought a product (customers), but are dissatisfied with the experience and will not purchase again, and may actually spread negative word-of-mouth. The accumulation of refusers depends on the brand's ability to fulfil expectations.

Companies must understand not only where consumers are in this pipeline but, more importantly, how they can influence the flow rates between stages, particularly where bottlenecks occur, to increase the flow of consumers through the pipeline. Exhibit 4 illustrates how aspects of the online brand experience (8Cs) influence the flow rates.

The critical first step of the online customer experience is to build awareness and communicate the brand's value proposition to its target customers. This can be more difficult online than offline due to the lack of a physical presence. Therefore, visibility relies heavily on *Communication*. The mechanisms to communicate range from traditional media (TV, billboards, Magazines, Newspapers, etc.) to online



tools, including affiliate programmes with other websites, links from directory searches (*Connectivity*), e-mail notifications and banner advertisements. According to Forrester Research⁷, the most effective promotional methods for building awareness for online brands are direct e-mail, affiliate programmes with other websites, public relations and television advertising.

Online companies must ensure that the cost of attracting, acquiring and retaining customers is lower than the lifetime value of those customers (LVC)⁸. Innovation and creativity are also important factors in gaining attention in today's cluttered marketplace. Attracting customers is only the first step in building an online brand. Companies then need to engage customers to obtain their interest and drive traffic to the site.

With the multitude of choice available on the Internet, it is important to quickly engage consumers' interest before they move on. Beyond developing a compelling value proposition, the key factors at this stage are *Convenience* (ease of navigation) combined with appealing *Content*. *Content* is a *sticky* application and is the basic driver of retaining customers on a site. It must be continuously up-dated due to the multiple visit nature of customers. At this point, the objective is to increase the conversion rate (% of browsers converted into buyers), and retaining customers and engaging them on an ongoing basis results in increased product purchase opportunities, in addition to providing the opportunity to learn more about the customer and forge closer relationships than any offline operator. Other sticky applications include *Communities* and *Customisation*.

The Internet provides extensive opportunities to learn about consumers (demographics, attitudes and behaviour). The initial purchase or site registration provides an early opportunity to obtain useful information. Building up a knowledge database on each customer - who they are and why they shop online, and what additional products and services they are interested in - provides companies with valuable information which, if used properly (obtaining customers' *Consent*), can create value for the customer and help build the brand-customer relationship. By leveraging the multidimensional data gathered from ongoing interactions with individual customers, an online company can create value by providing a *Customised* online experience. This encourages customers to return and spend more time and money at a site. Furthermore, refreshing *Content*, and effective *Customer Care* help to erect switching barriers and encourage customers to return and repeat the cycle.

⁷ Advertising Effectiveness - A Forrester Research Report, 2000

⁸ The Lifetime Value of a Customer (LVC) is an economic measure that is derived by calculating the average profit per customer transaction, multiplying this by the expected number of transactions during the brand-customer relationship, and discounting it to the present value.

KEY FACTORS THAT CONTRIBUTE TO BUILDING A SUCCESSFUL ONLINE BRAND

There is no one-size-fits-all solution for building a successful online brand, however, certain common underlying characteristics are evident, and can be summarised as follows:

- **A Compelling Value Proposition**

Successful online brands are exploiting every capability offered by the Internet to deliver compelling value propositions that appeal to customers, by offering more value than attainable through traditional 'bricks-and-mortar' establishments. They are providing greater convenience (24x7), lower prices, wider selections, and access to more information on the products or services being provided, and enhancing this with layers of added-value through the '8Cs' - *Convenience, Content, Customisation, Community, Connectivity, Customer Care, Communication and Consent*. Successful brands recognise that the value proposition must more than compensate for the loss of in-person contact.

- **A High Quality Online Experience**

Strong Internet brands are those that create a high quality *engaging* online customer experience. The 8Cs framework allows companies to deliver a *tangible* customer experience, while improving the flow rates through the customer pipeline. Successful online brands meet the demands inherent in each of the 8C categories, by ingraining *convenience* and making the site easy-to-use, quick-to-load and easy-to-navigate, delivering compelling *content*, *customising* the experience, developing a *community* feel, making *connectivity* easy, integrating *customer care*, obtaining *consent* and establishing two-way *communication*. By placing emphasis on different 'Cs', they are differentiating their experience from those of competitors. A well-executed customer experience that satisfies customers, results in higher brand equity.

- **A Reputation for Excellence (Delivering on their e-Promises)**

Fulfilment and delivering on e-promises is the acid test of online brands. The successful brands are those who are investing heavily in building supporting resources - logistics, distribution centres, staff and customer care at the appropriate rate to ensure they deliver a completely satisfying end-to-end customer experience. In doing so, they are cultivating a reputation for excellence, which builds confidence and trust that not only entices customers to do repeat business with the company, but leads them to spread positive word-of-mouth, attracting other customers to the site.

- **Strong Communications Program & Efficient Customer Acquisition Strategy**

The key Internet brands have made major commitments to build awareness and drive customers through the pipeline, and have developed multifaceted, integrated customer acquisition strategies, ranging from online methods to traditional offline media. These companies have developed an in-depth understanding of where their potential consumers are located in the pipeline, and have targeted their promotions accordingly, in order to attract quality customers and to keep customer acquisition costs down. Quality customers who are heavy users of the brand are important as they not only offset the cost of customer acquisition, but also provide added value to the brand community. Properly orchestrated 'guerrilla marketing' ploys can also be effective in building awareness, attracting customers and reinforcing the brand image.

- **Unique Positioning Concept & Distinct Brand Image**

Strong brands are developing unique positioning concepts, to distinguish themselves from competitors. **Yahoo!**'s success can be largely attributed to its unique positioning strategy and distinct image (a sense of irreverence, approachable nature and inherent friendliness) that appeals to its target market, as opposed to characterising itself as a technology-oriented company. By distinguishing their offering, focusing on unique sources of added value, and aligning their resources and activities to deliver this added value, brands are harder for competitors to emulate. In addition, these companies must have an inherent understanding of their brand identity and core values, to maintain consistency, as well as determine how far the brand can be meaningfully stretched to other products and market segments, before it fractures.

- **Strong Partnerships and Strategic Alliances**

Rather than doing everything on their own, leading brands have focused on building strong partnerships and alliances, particularly to secure content and widen reach to new customer segments and niches. As a result, these companies are creating even stronger value propositions, offering customers the best in quality, variety, content, and convenience. Alliances and partnerships play an important role in achieving speed and momentum, and by partnering with well-known brands, a company can leverage the partner's brand and reputation to reinforce its own. Alliances with leading portals and popular sites is important to generate traffic and brand visibility, and *exclusive* alliances can lock out competitors from valuable content or online real estate. The most successful partnerships are symbiotic matches, whereby each party benefits from the other's expertise or skills, while ultimately benefiting the end-customers.

- **Intense Customer Focus**

Leading online brands have an intense customer focus, and develop a detailed understanding of their customers' needs. These brands are designing their offerings and online experiences around their customers. They are accumulating knowledge about customers, through past transactions and solicited input, and are leveraging this knowledge to nurture relationships through the provision of better services, customisation and customer care. Customer focus builds trust and credibility that is central to developing a strong brand-customer relationship.

- **First-Mover & Early-Mover Advantage**

Most of the successful online brands identified a market opportunity early and moved quickly to capitalise on the potential they saw. A *first-mover* advantage is an important asset for an online brand. By getting to market early, the company benefits from the excitement and traffic, that comes with innovation. It locks up important content and distribution partnerships, and it aligns itself with the most influential venture capital sources. Getting to market quickly can provide an Internet company with significant momentum and a valuable boost over the competition. The challenge then lies in maintaining the momentum and retaining customers. Many strong online brands were also *early-movers* on the Internet, and benefited from additional hype, and extensive word-of-mouth due to its novelty. As Internet penetration exploded, these well-publicised brands also took off.

- **Relentless Innovation**

Successful Internet brands are continuously looking for new ways to wrap more value around their core service and offering, and are continuously adding new services and functionality to their sites. This type of relentless innovation is instrumental in ensuring brands develop traction and build momentum to keep ahead of competitors. In many cases, the innovations are the result of the company's ability to data-mine its vast database of customer information, to create new services and content that satisfy customer needs. By leveraging unique customer information, these innovations are difficult for competitors to reproduce, giving the brand an edge, and differentiating it from other brands.

- **Ability to Leverage Offline Brand and Assets**

Bricks-and-mortar brands are often well positioned to succeed on the Internet. They possess critical resources that give them an advantage over pure online start-ups. They have an established brand, established customer relationships, established fulfilment systems and infrastructure, and a physical presence (tangibility) - factors that clearly differentiate them from pure players. Strong clicks-and-mortar brands are integrating their online and offline activities to leverage the strengths of each other. In

doing so, these brands must respect their core brand elements and maintain consistency in the service quality that is expected, but at the same time, expand the brand experience to meet customers' expectations in the online world. Through extensive and seamless integration, clicks-and-mortar brands are providing customers with true added value, while reaping the benefits of lower customer acquisition costs and extended reach.

CONCLUSION

There is no doubt that Internet has radically changed the business and competitive environments, however, while everything is being turned upside down, one component remains unchanged - **added value** remains the basic building block for every successful brand.

With power shifting to customers, the success of an online brand is largely determined by customer choice. The repeated choice of a certain brand by customers and business partners generates the transactions and repeat business that counterbalances the costs of customer acquisition and infrastructure. Repeat transactions provide the basis for a relationship that, when properly cultivated, creates value for both the company and its customers. This relationship is the basis for the customer loyalty that creates a successful online brand.

The companies that are successfully building relationships and nurturing brand loyalty are those that recognise that their brand's perceived value hinges on the total end-to-end customer experience, from the promises made in the value proposition, through to their delivery to the customer. It aims to create loyal brand customers, by empowering them, gaining their trust, and making the brand experience so satisfying that they are confident in their choice and will purchase again, and will spread positive word of mouth. As such, brand-building on the Internet extends beyond the traditional focus of positioning, advertising, promotions, logos and slogans, to creating a *business system* that can deliver complete and satisfying experiences.